

all requirements of the securities laws. It is no defense that an issuer thought an exemption was applicable or tried to make full disclosure. Anyone making a securities offering pursuant to an exemption should review the actual statutes and regulations or consult with an attorney prior to effecting the securities transaction.

Assistance from the Secretary of State

The Missouri Securities Division is a division of the Office of the Secretary of State. The staff of the Securities Division is available to answer questions you may have concerning the securities laws between the hours of 8 a.m. to 5 p.m., Monday through Friday.

For more information, contact:

Missouri Secretary of State
Securities Division
600 West Main Street
PO Box 1276
Jefferson City, MO 65102
(573) 751-4136
800-721-7996
www.sos.mo.gov/securities



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Secretary of State



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(04-05)

Complying with Missouri Securities Laws:

A Guide for Small Businesses

Robin Carnahan
Secretary of State

Missouri Uniform Securities Act of 2003

As a corporation or other business entity, if you are considering raising capital from investors you should be aware of Missouri's securities laws. Shares of stock, bonds, notes, investment contracts, and membership interests in a company, along with other investments, are securities under the Missouri Securities Act of 2003. All securities offered or sold in the state of Missouri must be either registered with the Commissioner of Securities, exempt from registration, or a federal covered security. These laws are intended to protect investors. A violation of these laws may be a criminal offense.

Registration

Registration under Missouri law includes a "merit review" by the staff of the Commissioner of Securities. This review determines if the offering is "fair, just and equitable." A small business wanting to raise up to \$1 million may register its securities under the Small Company Offering Registrations (SCOR). This regulation allows an issuer to use a simplified offering document called the Form U-7. If you are interested in filing for registration of an investment offering, you may contact the Securities Division. The Securities Division has additional educational material on

these matters. You may also wish to consult an attorney.

Exemptions from Registration

The Missouri Securities Act of 2003 also contains several exemptions from registration. If an investment is promoted or sold under an exemption, the seller should be aware that it is his or her responsibility to prove that the investments are covered by that exemption. One common exemption from registration for small businesses offering and selling securities is contained in §409.2-202(14) *Revised Statutes of Missouri*. This exemption enables companies to raise capital without filing a registration statement with the Securities Division. However, the companies may only sell to 25 investors in a 12-month period and general solicitation is prohibited. Should you be interested in selling investments under an exemption, you may wish to contact the Securities Division for additional information or consult an attorney.

Federal Covered Securities

Companies may sell federal covered securities in Missouri if the companies comply with both federal and state law. One of the most common types of federal covered securities are those offered pursuant to 17 CFR 230.506 of Regulation D. An issuer relying on Rule 506 needs to make the appropriate filings with the U.S. Securities &

Exchange Commission. The issuer must also file a notice with the Missouri Securities Division. Once again, you may wish to consult with an attorney or contact the Securities Division for more information.

Anti-Fraud Provisions

The Missouri Securities Act of 2003 also prohibits fraud and requires disclosure of all material information. Whether an offering is made pursuant to registration, an exemption, or a federal covered security, the seller of securities is responsible for disclosing all material facts regarding the investment to the prospective investor. A material fact is any fact that may have an impact on that individual's decision to invest. It is advisable to provide a potential investor with a written disclosure document that sets out all the material facts concerning the investment.

Penalties

In an effort to deter violations and to protect the integrity of the public investing markets, the penalties for violations of the Missouri Securities Act of 2003 are severe. Violators may be subject to criminal prosecution of a felony, punishable by 10 years in prison, a \$1 million fine or both. Violators may also be subject to orders of restitution, disgorgement, rescission and civil penalties. It is extremely important to comply with